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# FOREIGN POLICY BULLETIN

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## HUNGARIAN COUP WIDENS EAST-WEST RIFT

THE unanimous report of President Truman's Advisory Commission on Universal Training, issued on June 1, presents a grim preview of the horrors of war in an atomic age, and urges defense of the United States at a "staggering" cost to avert "extermination"—at the very moment when the lines of political warfare are being more tightly drawn on the continent of Europe by the crisis in Hungary. Although the possible aggressor threatening this country's security is not named in the UT report, all references point to Russia which may master the secret of the atomic bomb by 1955 at the latest.

**U.S. STRATEGY IN EUROPE.** Since the Commission on Universal Training reached its conclusions after nearly six months of study during which it heard evidence from the War, Navy and State Departments, it must be assumed that the views expressed in its report reflect the considered opinion of political and military leaders in Washington on present trends in world affairs. More than any other public document of recent times, this report serves to explain the main lines followed by American foreign policy during the past year. For if the country is to prepare for the possibility of war with Russia, it is clear that, as a matter of military strategy, it is important to obtain footholds not on the continent of Europe, where the United States, with its relatively small land army, would be hopelessly out-matched by the U.S.S.R., but along the periphery—the Eastern Mediterranean, the Middle East, Africa, and northern points like Canada and Greenland. There strategic bases could be used by American naval and air forces, strengthened by possession of the atomic bomb, for attack on Russian territory. In this strategic perspective the European continent recedes in importance in the requirements of naval and air diplomacy. However, the industrial nations

of Western Europe, especially western Germany, do assume increased significance as potential workshops for military forces.

**COMMUNIST COUP IN HUNGARY.** Given these calculations, it becomes understandable that the United States appears to have written off most of Eastern Europe as a region which would not be serviceable either as a military or as an industrial base for war with Russia. While Hungary was not mentioned in the Truman statement of March 12 (reportedly because the United States still hoped to retain some influence in that country), the Hungarian government was slated to receive a portion of the \$350,000,000 relief appropriations voted by Congress on May 21. The seizure of power in Budapest on May 30 by the Hungarian Communists, however, is expected to eliminate Hungary from the list of recipients of American relief. This coup brings to a climax Russia's unconcealed efforts to establish in Hungary a government favorable to Moscow by a series of moves, the most important of which was the arrest on February 25 of Béla Kovacs, secretary-general of the Smallholders party, on charges of terroristic activities against the Russian army of occupation. Kovacs' alleged confession is said to have implicated many other leaders of his party, including Premier Ferenc Nagy, now in Switzerland. Nagy had hitherto cooperated with the Russians, but had apparently incurred their disfavor by seeking to maintain friendly relations with the West.

While news from Budapest remains scanty and confused, several points seem to be clear. The free elections of November 4, 1945, held under Russian occupation, resulted in a vote of 57 per cent for the Smallholders party, representing chiefly peasant interests, and only 17 per cent for the Communists. The latter therefore could not have expected to establish

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a government by parliamentary methods. New elections are expected to be held soon, perhaps within a month, and the chances that the Smallholders party, now in a state of disintegration, can match its 1945 record are regarded as slight. At the same time, reactionary elements among the former Hungarian aristocracy and officeholders were not reconciled to the land reforms carried out since V-E Day, and hoped to obtain aid from the Western powers. According to reliable observers the tempo of crises in Hungary may have been stepped up by two recent developments: the announcement of the Truman Doctrine, intended to "stop" Russia and communism; and the determination of the Soviet government to consolidate its position in Hungary before ratification of the Hungarian peace treaty, which requires Russia to remove its occupation troops ninety days after ratification, and before conclusion of a peace treaty with Austria. The new premier, Lajos Dinnyes, a left-wing member of the Smallholders party and former Minister of Defense, would—if he can persuade his followers to support his course—assure the maintenance of Moscow's influence in Hungary after Russia's withdrawal.

Aside from political considerations, Hungary is important to the economy of the Danubian region—and valuable to the U.S.S.R.—because of its rich agricultural resources and its raw materials, notably oil and bauxite. While the United States and Britain have been anxious to prevent Russian domination of Hungary and its resources, they have been able to do little to aid the country beyond registering repeated protests against the actions of the Russian occupying forces. The plain fact is that in Hungary, as contrasted with Greece, Turkey and Iran, the United States does not have the physical power to exert pressure on Russia. The only method available—economic pressure—was promptly used on June 2, when Washington suspended the as yet unutilized

\$15,000,000 of the \$30,000,000 surplus property credit extended to Budapest in February.

By acting unilaterally in Hungary, Russia has violated the Yalta pledges of the Big Three to cooperate in the recovery of satellite states. Our influence in Eastern Europe, however, has been rapidly reduced since V-E Day not merely by Russian propaganda and military power, but by our own delay during the first post-war year in making known our intention to stay in Europe for good, and to take an active part in reconstruction of the continent. Under these circumstances, such friends as the United States had east of Germany became understandably disheartened, especially when it seemed at times as if this country, because of hostility to communism, might espouse the cause of reaction. Secretary Marshall's formula of working with "liberals," excellent in itself, was announced when such liberals as had maintained a precarious foothold between extreme Right and Left in Eastern Europe had become gravely weakened and discredited. Events in Hungary will doubtless confirm prevailing American fears of Russia, and strengthen the trend here toward creation of a western bloc in Europe which could serve as a bulwark against further Russian encroachment on the continent. Such a bloc, however, even if practicable, will not of itself cure the fundamental ills that have facilitated the spread of communism in Eastern Europe—notably a low standard of living and the weakness of the middle class, which in the West has been the mainstay of liberalism. But if the United States is to remedy these ills, we shall have to do a good deal more careful planning about long-term foreign policy than has hitherto been the case. But while our plans must include concern for national security, it would be yielding to a fatalistic attitude to assume that on this occasion, any more than on previous occasions in history, war is inevitable.

VERA MICHELES DEAN

## LABOR GOVERNMENT'S 1947 GOALS WIN SUPPORT IN BRITAIN

The annual Labor party conference, held at Margate, England from May 26 to 30, provided a forum which government spokesmen used to air their views on Britain's policy abroad, and also to discuss the nation's economic problems at home. Not only did party delegates decisively support Foreign Secretary Bevin's conduct of foreign affairs, but they also approved most of the important domestic measures adopted by the Attlee cabinet for the coming year.

**LABOR AFTER TWO YEARS.** In a 2 to 1 vote at the opening of the conference on May 26 the Labor government won the party's support for its recent military draft act. The conscription measure, passed by Parliament on May 22, originally drew the fire of the Liberal party as well as certain Laborites identified in the past with the pacifist movement in Britain. Opponents of Labor's foreign policy

challenged the cabinet for introducing peacetime conscription at this time. But those who successfully urged a shorter period of twelve rather than eighteen months' training because of manpower shortages at home came nearer the heart of Britain's most crucial problems.

Mining more coal, closing the export-import gap and raising general industrial production remain Britain's major economic tasks, and at Margate government leaders dealt with these tasks at length. They did not hide the facts that continued austerity, reduction in the scope of the housing program, fewer luxury imports and low food standards still face the British people in 1947 as in 1939. Recently compiled figures on the approximate distribution of the national income in Britain reveal very clearly the nation's straitened economic condition and the

lower living standards now prevailing. Whereas in 1938 personal consumption (food, clothing, etc.) accounted for 78 per cent of the national income, such expenditures are now down to 66.5 per cent. Defense requirements which stood at 7 per cent before the war are now up 11 per cent. Other public expenditures have jumped from 10 to 13.5 per cent, while capital spending and maintenance (including housing) have also been increased.

**TARGETS FOR 1947.** These figures (the 1947 percentages are projections for the full year) reflect the goals set by the government at the end of the fuel crisis. While the nation must eventually raise its exports 175 per cent above pre-war levels, the Economic Survey for 1947, published last February, established the export target at 140 per cent of the 1938 volume. In the past year Britain brought its exports up a little above the pre-war standard, and so far this year exports have also risen, but the inroads on production caused by the fuel shutdown will inevitably show up in later trade statistics. Even without such a setback the 1947 aim may be so high as to be out of reach.

Meeting the export target is Britain's primary objective for 1947. But the goals set for power production, steel, building, railways, shipping and other industries as well as exports depend on the plan to increase coal output. The February Economic Survey estimated the minimum coal requirements for British industry at 200,000,000 tons, and after consultation with business and labor union leaders, this figure has been increased unofficially to 220,000,000 tons. Last year coal mined amounted to only 189,000,000 tons. The 10,000,000 to 30,000,000 ton difference between the 1946 output and that planned for this year is perhaps the best yardstick for measuring the seriousness of Britain's economic plight.

**YEAR OF CHALLENGE.** This year may well prove to be Britain's "year of decision," at least for the Labor party. It must soon assure the nation that its program of reform—democratic socialism—will restore the country's trade balance and offer hope of overcoming housing, food and other shortages at home. So far there have been no defections from

Labor's supporters since the 1945 victory. In more than twenty-five by-elections held after the Attlee cabinet took office, not a single constituency has abandoned the government party. Labor's voting strength has decreased in some cases, but the unbroken chain of by-election victories has set a precedent in British political history. However, continued political success at the polls and the ability to win the next general election in 1950 will depend on more concrete evidence of economic accomplishment than has been chalked up to date.

Recently the Attlee government has taken several new important steps on the domestic front to carry out its 1947 goals. To relieve manpower shortages with respect to coal and other industries as well, the government is now empowered to employ 100,000 foreign workers. It is also asking that many more women return to industrial work. More significant was the announcement made on March 27 of the appointment of Sir Edwin Plowden as chief economic planner for the government. Sir Edwin, who once represented the steel industry and is not a Socialist, will work with a small staff primarily to aid the planners of the Economic Section of the cabinet. This new departure represents an effort to further coordinate all of the planning work of various government departments as well as add tested business talents to civil service skills.

Criticism of the trend toward complete state socialism is not lacking in England. But it is important to note that opposition to Labor's program of public ownership of basic industries and its social welfare legislation is not due to any wholesale condemnation of planning on the part of the government. Even the Industrial Policy Committee of the Conservative party has pointed out that, should the Conservatives win the next election, they would not denationalize the Bank of England, the coal mines, or the railways. The Conservative program as now outlined by this policy committee would appear, in fact, far to the left of the New Deal policies of the early Roosevelt era.

GRANT S. McCLELLAN

*(A third article in this series will discuss Britain's foreign trade and overseas debt problems.)*

## STUDENT UNREST REFLECTS GROWING CRISIS IN CHINA

Weakened by setbacks in the military struggle with the Communists and by mounting economic difficulties, the Chinese Central government now faces a new tide of popular unrest. May was a month of angry outbursts in the major cities of China, and June has opened with widespread arrests designed to halt a student movement for "bread and peace." The present upsurge, which dwarfs economic and political protest movements occurring last summer and early this year, began about a month ago when rice riots broke out in Hangchow, Shanghai and other cities of the lower Yangtze valley. The loot-

ing of rice shops was soon followed by acute industrial tension in Shanghai, where thousands of government and private workers struck for higher pay. Although the strike situation eased after the Nanking authorities granted pay rises to civil servants and decided to relax general wage controls, student activity shortly provided further evidence of discontent.

**CAUSES OF UNREST.** Many students remain neutral or even support the government, but participants in the current movement form a large and highly significant group. Their main emphasis



has been on the need for increased government food rations and subsidies for students, cessation of civil war, safeguarding of civil liberties, and changes in official educational policies. The government holds that the prevailing unrest in the schools is Communist-inspired, a view which has been expressed publicly by President Chiang Kai-shek on at least two occasions in recent weeks. To many observers, however, the situation appears more complex. For example, on May 19 Hu Shih—president of National Peking University and former Ambassador to the United States—declared that student activity reflected general public dissatisfaction with internal conditions. And on May 30, at a meeting of the government's Legislative Yuan most members expressed sympathy for the students.

Paradoxically the current student movement seems to have been launched by certain right-wing Kuomintang circles which sought to use non-political issues to embarrass rival Kuomintang elements in the Nanking cabinet. This was like playing with dynamite, and it was not long before the original sponsors lost control. New groups of students—non-political, liberal, leftist and Communist—came to the fore, converting the movement into a means of expressing discontent with the conditions under which many thousands of students live and work in a China still disrupted by war.

The situation was summed up succinctly late in May when several hundred faculty members of Tsinghua and Yenching universities in Peiping, including some of China's leading professors, signed a statement urging internal peace. "The present turmoil," they said, arises fundamentally from "the economic crisis, and the economic crisis in turn is the bad fruit of protracted civil war." This analysis is borne out by the close connection between the current food stringency in Kiangsu province (including Shanghai and Nanking) and the diversion of large quantities of grain to the army. The five-fold increase in Shanghai rice prices between January and May 1947 certainly helps to explain the serious popular dissatisfaction in that center. It is true that last February, when economic conditions reached an especially critical point, the government adopted severe economic controls which were enforced by a corps of economic police. But after some weeks of relatively stable prices the controls collapsed in April and May.

**THE MILITARY CRISIS.** From the summer of 1946 until the end of this past winter the government deprived the Communists of a number of cities in a series of offensives culminating in the capture

of the Communist capital at Yen-an in March. These government successes, while causing difficulties for the Communists, were essentially superficial. The bulk of the Communist forces remained intact, the government armies suffered serious losses of troops and equipment, and the captured cities were bound to prove economic liabilities as long as the adjacent food-producing countryside remained in Communist hands.

Although various government officials predicted at times that the Communists would be defeated in three, five or six months, these time limits expired without victory. In fact, Nanking did not achieve what was probably its minimum objective—to clear the railway lines of North China. This has become especially clear in recent weeks following a Communist spring offensive in Manchuria and neighboring areas south of the Great Wall. Earlier in May the government's 74th Division was defeated in Shantung after Nanking's air force had bombed its own troops by mistake.

**PEACE STILL REMOTE.** Although the popular demand for peace is growing stronger in government territory, the end of the civil war is not in sight. At the recent session of the People's Political Council, a Kuomintang-dominated advisory body, a significant minority of liberal and independent members spoke forcefully for peace. The council also made the gesture of inviting the Communist members to attend the sessions for the purpose of discussing peace. Previously, on May 15, twenty members of the Legislative Yuan had urged peace talks, indicating that sentiment against civil war is developing within the government and the Kuomintang as well as outside. But the dominant tendency in Nanking, as expressed by President Chiang in no uncertain terms, is against new peace negotiations. The government apparently expects to keep the peace movement in check by such measures as the recent suspension of three liberal newspapers in Shanghai, the use of martial law, and widespread arrests of students, intellectuals and workers.

Nanking hopes for future improvement of its military position, especially if it can secure new American aid. The Communists, for their part, look forward to further military successes and would certainly demand extensive government concessions as the price of peace talks. Under the circumstances warfare seems likely to continue until some marked shift in the military balance of power takes place. Such a shift could be accelerated by further development of inflation and popular unrest in government areas.

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